

Exhibit B

Fact Sheet on MSB Registration Rule

Treasury is issuing today a final rule concerning the application of the Bank Secrecy Act ("BSA") to those non-bank financial institutions called "money services businesses" (or "MSBs"). The rule would (i) revise the definition of certain businesses for BSA purposes, and (ii) require MSBs to register with the Department of the Treasury.

The rule is based on a notice of proposed rulemaking issued on May 21, 1997. See 62 FR 27890. Registration of MSBs is required by the Money Laundering Suppression Act of 1994, which also requires MSBs to maintain a list of their agents that would be available to regulators and investigators upon request.

The rule generally applies to five classes of financial businesses. These businesses are (1) currency dealers or exchangers, (2) check cashers, (3) issuers of traveler's checks or money orders, (4) sellers or redeemers of traveler's checks or money orders, and (5) money transmitters.

Under the final rule-

- MSBs must register with the Department of the Treasury and renew their registration every two years.
- Agents of MSBs are not now required to register regardless of the dollar volume of their money service activities (in a change from the proposed rule) unless they engage in money service activities both on their own behalf and as an agent for others.
- MSBs must maintain a list of their agents and update the list annually.
- The initial registration form must be filed by December 31, 2001, and the initial agent list must be prepared by January 1, 2002.
- The term "money services business" does not include a bank or a person registered with and regulated or examined by the Securities and Exchange Commission or the Commodity Futures Trading Commission.
- The definition of money transmitter clarifies that the activity that makes a person a money transmitter must be carried on as a business, and that generally the acceptance and transmission of funds as an integral part of the execution and settlement of a transaction other than the funds transmission itself (e.g., in connection with a bona fide sale of securities), will not cause a person to be a money transmitter.
- Issuers and sellers of stored value are included as MSBs, but they are not required to register at this time.
- Treasury also is announcing its intention that suspicious activity reporting requirements for money transmitting and the traveler's checks and money order segments of the industry will be forthcoming. In the coming months, Treasury and FinCEN will be working with the industry to develop guidance to assist in identifying suspicious activity.
- To permit effective implementation, Treasury will not begin requiring suspicious transaction reporting until the registration process is complete.

Guidance Relating to the MSB Registration Rule

This guidance is intended to answer general, basic questions concerning the implementation of the new regulations. It is not meant to be comprehensive and does not replace or supersede the regulations.

1. What is the basis for the final rule?

The final rule is based on one of three proposed rules dealing with money services businesses issued on May 21, 1997. See 62 FR 27890-27917. The notice of proposed rulemaking to which the final rule relates was, in turn, based on the authority granted to the Secretary of the Treasury under the Bank Secrecy Act, Titles I and II of Pub. L. 91-508, as amended, codified at 12 U.S.C. 1829b, 12 U.S.C. 1951-1959, and 31 U.S.C. 5311-5330. The Bank Secrecy Act authorizes the Secretary of the Treasury, inter alia, to issue regulations requiring financial institutions to keep records and file reports that are determined to have a high degree of usefulness in criminal, tax, and regulatory matters. Section 5330, which was added by the Money Laundering Suppression Act of 1994, requires money services businesses to register with the Department of the Treasury and maintain a list of their agents.

2. What does the final rule provide?

The final rule revises the definitions of certain non-bank financial institutions for purposes of the Bank Secrecy Act and groups the revised definitions together in a separate category called "money services businesses" or "MSBs". An MSB generally is any business engaged in money transmission (other than banks, broker-dealers, and futures commission merchants), issuance sale, or redemption of money orders and traveler's checks, check cashing, or currency exchange.

The final rule also requires that certain MSBs register with the Department of the Treasury and maintain a current list of their agents for examination, on request, by any appropriate law enforcement agency.

3. How does the final rule differ from the notice of proposed rulemaking?

FinCEN received over sixty comments, many quite lengthy and detailed, dealing in whole or in part with issues raised by the proposed rule. Based on a careful review of those comments, and after further deliberation, the following principal changes to the proposed rule have been made, and are reflected in the final rule.

First, the final rule eliminates, for the time being, the rules for the registration of high-volume agents. FinCEN received many negative comments on the proposed agent registration requirement.

Second, and as a corollary to the first change described above, the final rule adds one additional element to the information required to be included in the agent list - the notation of each month in the preceding 12 months in which the agent's gross amount from the sale of products or services offered by the money services business maintaining the agent list exceeds \$100,000.

Third, the final rule adds language providing that requests for agent list information must be coordinated through FinCEN in the manner and to the extent determined by FinCEN.

Fourth, issuers and sellers of stored value, while still defined as financial institutions for purposes of the Bank Secrecy Act, have been exempted from the registration and agent list requirements contained in the final rule.

Finally, the initial registration form must be filed by December 31, 2001, and the initial agent list must be prepared by January 1, 2002.

4. How are money services businesses defined?

MSBs are specifically defined to include each agent, agency, branch or office within the United States of any person (except a bank or person registered with, and regulated or examined by, the Securities Exchange Commission or the Commodity Futures Trading Commission) doing business in one or more of the following capacities:

- currency dealer or exchanger;
- check casher;
- issuer of traveler's checks, money orders, or stored value;
- seller or redeemer of traveler's checks, money orders, or stored value;
- money transmitter; and
- the United States Postal Service (except with respect to the sale of postage or philatelic products).

Notwithstanding the above, persons who do not exchange currency, cash checks, or issue, sell or redeem traveler's checks, money orders, or stored value in an amount greater than \$1,000 to any person on any day in one or more transactions are not MSBs for purposes of the Bank Secrecy Act.

5. Who must register and retain agent lists?

Generally, each MSB other than the U.S. Postal Service, a federal, state, or local government agency, or an issuer, seller or redeemer of stored value, must register with the Department of the Treasury and keep a list of its agents.

Agents of MSBs are not required to register or keep a list of their own agents if they are MSBs solely because they serve as agents of other money services businesses. Thus, a person that engages in MSB activities both on its own behalf and as an agent for others must register. For example, a supermarket corporation that acts as an agent for an issuer of money orders and performs no other services of a nature and value that would cause the corporation to be an MSB, is not required to register. However, registration would be required if the supermarket corporation, in addition to acting as an agent of an issuer of money orders, cashed checks or exchanged currencies (other than as an agent for another business) in an amount greater than \$1,000 in currency or monetary or other instruments for any person on any day, in one or more transactions.

Although issuers and sellers of stored value are included as MSBs, they are not required to register or maintain a list of their agents at this time.

6. How does a money services business register?

An MSB must register by filing the form that FinCEN specifies with the Enterprise Computing Center-Detroit of the Internal Revenue Service (or such other location as the form may specify). The information required by 31 U.S.C. 5330(b) and any other information required by the form must be reported in the manner and to the extent required by the form. FinCEN expects to continue to work with the money services business industry to develop the registration form. As part of that process, FinCEN will publish in the Federal Register a separate notice regarding the form.

7. What information must be retained on the agent list?

The following information must be included on the list of agents:

- o the name, address, and telephone number of the agent;
- o the type of service or services that the agent provides on behalf of the MSB maintaining the agent list;
- o a listing of the months during the 12 months immediately preceding the date of the most recent agent list in which the agent's gross transaction amount from the sale of products or services offered by the MSB maintaining the agent list exceeds \$100,000;
- o the name and address of the bank at which the agent maintains a transaction account for all or part of the funds received from the sale of products or services offered by the MSB maintaining the agent list;
- o the year in which the agent first became an agent of the MSB maintaining the agent list; and
- o the number of branches or subagents the agent has.

8. When do the registration and agent list requirements become effective?

An MSB must be registered for the initial registration period and each renewal period. Generally, the initial registration form must be filed by December 31, 2001; the initial registration is valid for the initial registration period, which is the two-year calendar period beginning January 1, 2002. Each two-calendar year period following the initial registration period is a renewal period.

The initial list of agents generally must be prepared by January 1, 2002, and must be revised each January 1, for the immediately preceding 12-month period. For MSBs established after December 31, 2001, the initial agent list must be prepared by the due date of the initial registration form and must be revised each January 1 for the immediately preceding 12-month period.

9. What are the consequences for failing to comply with the registration or agent list requirements?

Any person failing to comply with the registration or agent list requirement may be assessed a civil penalty of \$5,000 for each violation. Each day during which a violation occurs constitutes a separate violation. In addition, the Secretary of the Treasury may bring a civil action to enjoin the continued violation. Lastly, a person failing to register in accordance with the final rule may be subject to criminal prosecution.

10. What is the status of other pending proposed rules relating to money services businesses?

The second proposed rule issued on May 21, 1997, [see](#) 62 FR 27900-27909, would require money transmitters, and issuers, sellers, and redeemers of money orders and traveler's checks to report suspicious transactions. Suspicious activity reporting by all classes of financial institutions covered by the Bank Secrecy Act is an essential part of the government's counter-money laundering efforts generally and its efforts to strengthen counter-money laundering controls at MSBs in particular. The Department of the Treasury is committed to producing the most cost-effective reporting regime, for both law enforcement and the industries involved. To permit effective implementation, suspicious activity reporting by the relevant classes of MSBs will not begin until after the initial registration period.

The third proposed rule issued on May 21, 1997, [see](#) 62 FR 27909-27917, would add a special reporting rule for money transmitters involved in the transmission of funds to persons outside the United States . Action on the proposed rule is being deferred, but the proposal is not being withdrawn at this time.

11. Who should a money services business contact with further questions concerning the registration and agent list requirements?

Any money services business may contact FinCEN's Office of Program Development at (703) 905-3975, or FinCEN's Office of Chief Counsel at (703) 905-3590 regarding questions on the Bank Secrecy Act rules.



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